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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.



JULY 1953

Approved by the Outlook and Situation Board, July 22, 1953

SUMMARY

Marketings of farm products are likely to continue heavy during the remainder of 1953, according to conditions at mid-year. The July crop report indicated that crop output this season may be the third largest on record. Combined production of crops and livestock may be about the same as the 1952 record. In addition, carry-over stocks are large for wheat, corn, cotton, fats and oils, and manufactured dairy products. Large supplies of several commodities indicate that Government support operations are likely to continue an important price sustaining factor.

Wheat prices have advanced in recent weeks and some further strengthening is expected as movement under loan continues. Prices had declined substantially during June and early July because of the large wheat harvest and concern over storage facilities. Cattle prices also strengthened in July following declines in June that were due partly to drought-induced marketings.

Prices of most products, including industrial commodities purchased by farmers, have held fairly firm in recent months. This reflects the high level of economic activity and a strong demand for most goods and services. The gross national product, which values the total output of the economy, rose about 2 percent in the second quarter from an annual rate of 361 billion dollars in the January-March period of 1953. With prices averaging relatively stable, the increase reflected expanded output. Most indications point to a continued high level of output and consumer incomes during coming months. However, the rapid expansion in production underway in the first half of the year apparently is leveling off.

While domestic demand for food and other farm products continues high, foreign demand for United States farm products remains at the reduced level of 1952-53, largely a result of improved production abroad. Total exports of farm products in the coming year are not expected to change much from the 1952-53 rate. However, some improvement is in prospect for cotton, tobacco and some of the oils.

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1952		1953			
		Year	June	Mar.	Apr.	May	June
Industrial production <u>1/</u>							
Total	1935-39=100	219	204	243	241	241	p241
All manufactures	do.	230	214	258	255	254	p254
Durable goods	do.	280	247	328	326	320	p319
Nondurable goods	do.	189	186	201	198	201	p201
Minerals	do.	160	147	162	164	167	p168
Construction activity <u>1/</u> #							
Contracts, total	1947-49=100	183	172	177	179	161	
Contracts, residential	do.	181	193	176	179	164	
Wholesale prices <u>2/</u> #							
All commodities	1947-49=100	112	111	110	109	110	109
All commodities except farm and food	do.	113	113	113	113	114	114
Farm products	do.	107	107	100	97	98	95
Processed foods	do.	109	108	104	103	104	103
Prices received and paid by farmers <u>3/</u>							
Prices received, all products	1910-14=100	288	292	264	259	261	259
Prices paid, interest, taxes, and wage rates	do.	286	287	281	279	279	275
Parity ratio		101	102	94	93	94	94
Consumers' price <u>2/</u> <u>4/</u> #							
Total	1947-49=100	114	113	114	114	114	114
Food	do.	115	115	112	112	112	114
Income							
Nonagricultural payments <u>5/</u> ...	Bil. dol.	249.9	245.9	265.4	265.5	266.2	
Production worker pay rolls <u>2/</u> #	1947-49=100	135.3	127.3	152.1	150.1		
Weekly earnings of production workers <u>2/</u> #							
All manufacturing	Dollars	67.97	66.83	71.93	71.40	71.05	
Durable goods	do.	73.04	71.69	77.52	76.96	76.41	
Nondurable goods	do.	60.98	60.44	63.60	62.81	63.20	
Employment							
Total civilian <u>6/</u>	Millions	61.3	62.6	61.5	61.2	61.7	63.2
Nonagricultural <u>6/</u>	do.	54.5	54.4	55.7	55.2	55.3	55.2
Agricultural <u>6/</u>	do.	6.8	8.2	5.7	6.1	6.4	7.9
Government finance (Federal) <u>7/</u>	Million						
Income, cash operating	dollars	5,950	9,988	11,042	3,214		
Outgo, cash operating	do.	6,082	6,978	6,970	6,443		
Net cash operating income or outgo	do.	-132	3,010	4,072	-3,229		

Annual data for the years 1929, 1932 and 1935-52 appear on page 26 of the April 1953 issue of the Demand and Price Situation.

1/ Federal Reserve Board. Construction activity revised to 1947-49 base. 2/ U. S. Department of Labor, Bureau of Labor Statistics. 3/ U. S. Department of Agriculture, Bureau of Agricultural Economics; to convert prices received and prices paid, interest, taxes, and wage rates to the 1935-39 base, multiply by .93110 and .79872 respectively. 4/ Index of change in prices of goods and services purchased by city wage-earner and clerical-worker families to maintain their level of living. 5/ U. S. Department of Commerce revised figures, seasonally adjusted at annual rates. 6/ U. S. Department of Commerce, Bureau of the Census. 7/ U. S. Department of Treasury. Data for 1952 are on average monthly basis.

Revised series. p= Preliminary.

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Commodity Highlights

Prospects are that meat animal prices will make the usual seasonal adjustments this summer and fall. Prices of top grades of beef cattle will likely average higher in months ahead than during the spring. Prices of lower grades, influenced by heavy marketings, will continue seasonally low. Hog prices have shown an almost continuous rise since the first of the year and in mid-July were about 5 dollars a hundred pounds above a year ago. Seasonal declines probably will begin at late summer. Prices of slaughter lambs are currently close to prices a year ago. A seasonal decline is in prospect for this fall. The annual rate of milk production in the United States, though considerably below early 1953 levels, still exceeds the probable consumption for this year as a whole. Most of the excess has gone into butter, powder and American cheese, the three products bought to support prices. Prices for eggs in Eastern markets and broilers in principal producing areas recovered later in the month from early-July declines. Egg prices are likely to rise further as supplies decline seasonally. Prices of edible vegetable oils weakened in the past month or so, reflecting a hand-to-mouth buying policy on the part of buyers. Supplies of food fats in the coming marketing year are expected to be about the same as in the current year, with record stocks offsetting a drop in production. Prices of feed grains and many of the byproduct feeds declined during May and June. Generally favorable prospects for 1953 feed crops, reduced livestock numbers, particularly hogs, and lower prices of cattle and dairy products all contributed to the decline. A record wheat supply is in prospect for the 1953-54 marketing year with a substantial carry-over more than offsetting a decrease in production. With a sharp reduction in California grape output, the 1953 deciduous fruit crop is expected to be slightly smaller than the 1952 crop. Prices that growers receive for most fruits in August probably will average about the same as a year earlier. A sharp decline in prices for some truck crops occurred in early July as delayed crops began moving to market in considerable volume. Prospects are good for adequate supplies of most major crops for canning and freezing. Prices received by farmers for 1953 crop potatoes probably will average lower than those received for the 1952 crop, with an output indicated as of July 1 about 8 percent larger. The 1953 crop of sweetpotatoes is larger than a year earlier and prices are expected to average moderately lower. The prospective dry bean crop is only slightly larger than last year, and with a much smaller

carry-over, prices are expected to be at least as high as those for the 1953 crop. Prices for an indicated larger crop of dry peas probably will be substantially lower. Acreage of cotton under cultivation on July 1 was down from a year earlier. Present conditions if continued could cause more than average abandonment. The rate of consumption of both apparel and carpet wool by domestic mills during the early months of this year was substantially above a year earlier. Cigarette consumption is expected to continue at the present high level in the year ahead. Supplies of flue-cured, Burley, and Maryland tobacco, most of which is used in cigarettes, are expected to be slightly larger in 1953-54 than a year earlier, with larger carry-overs offsetting smaller production.

GENERAL BUSINESS CONDITIONS

Economic activity was generally stable at a high level in the second quarter and in early July. Demand for most goods and services continues strong. The gross national product--the market value of output of goods and services produced by the Nation's economy--in April-June is estimated at nearly 2 percent higher than the 361 billion dollar annual rate of the first quarter. With prices generally stable, this increase reflects primarily a growth in physical production. Total employment increased with the rise in economic activity, reaching a new high in June.

Demand for Goods and Services

Total domestic demand for goods and services strengthened in the second quarter. Personal incomes rose from the previous record, consumer credit increased sharply, and consumer buying reached new high levels. Total Government expenditures also inched upward. With this strong demand by consumers and the Government, business investment outlays continued to rise.

Personal incomes were at a new high in the second quarter, slightly more than 1 percent above the 281.7 billion dollar annual rate of the first quarter. Average hourly earnings were record or near-record in most major industry groups, averaging about 5-7 percent above a year earlier; and overtime work was scheduled in many manufacturing industries. With production continuing high, employment in nonagricultural industries was at a record for the quarter.

Consumer demand was reinforced by a rapid growth in the use of credit. In both April and May consumer credit outstanding increased by half a billion dollars, and the total at the end of May was 26.7 billion dollars, more than 5 billion higher than in early May 1952 when credit controls were removed. About 60 percent of the expansion in the last two months was in automobile paper, but all major types of credit showed increases. Data from the Federal Reserve Board survey of consumer finances show that in early 1953, over 50 percent of the consumer spending units (defined as all persons living in the same dwelling and related by blood, marriage, or adoption, who pooled their incomes for their major items of expense) had short and intermediate-term consumer credit outstanding. Of those with debt, approximately 1 in every 4 (about one-eighth of the consumers) owed an amount equal to 20 percent or more of income. About one-fourth of all spending units owed 10 percent or more of income. However, approximately 1 in every 3 spending units owing consumer debt had more liquid assets than debt.

The survey findings also indicate that approximately half of individually-owned liquid assets (deposits in checking and savings accounts at banks, shares in savings and loan associations, and United States Government securities) were held by the fifth of the spending units with the highest incomes. Nearly 30 percent of the spending units held no liquid assets. The median liquid asset holding for all spending units rose from 240 dollars in early 1952 to 300 in early 1953, compared with 400 dollars in the 1946 survey. Because of the sharp price rise since 1946, the median liquid asset holding in real terms is farther below 1946 than in dollar terms, and is also lower relative to income than at the end of the war.

Personal consumption expenditures in the second quarter were estimated at less than one percent higher than in the first, increasing somewhat less rapidly than disposable personal income. Outlays by consumers for durable goods were about the same as in the previous quarter, with an increase in purchases of automobiles about offset by a decline in household durables. Consumer spending on nondurables was about the same, but outlays for services rose about 2 percent. Compared with second quarter 1952, consumption expenditures were about 6 percent higher, the rise again being somewhat less than that for consumers' income after taxes. Purchases of durables were up 14 percent over the year, with most of the gain in passenger cars. Spending on nondurables and services gained moderately. Indications are that personal incomes and consumer buying will continue high during the next few months.

Sales by retail stores in May (the last month reported), after adjustment for seasonal variation, continued near the record rate of February, about 4 percent above a year earlier. Most significant change during the month was a 7-percent increase in sales by the general merchandise group. Other changes were small. Largest gains from a year ago were the 8-percent higher sales by automotive dealers and apparel stores. Increases were smaller for the other major groups.

Investment Demand Higher

Private domestic investment outlays in the second quarter were almost 7 percent higher than in the first and 18 percent above a year earlier. Expenditures for new construction and for producers' durable equipment both rose slightly from the record level of the previous quarter, and inventory accumulation increased sharply to an annual rate of 4.5 billion dollars, compared with 1.7 billion in the first quarter.

Expenditures for new construction were at the highest level in history during the first half of 1953. By the end of June, these expenditures totaled 16 billion dollars--almost 8 percent above the January-June 1952 total. Private expenditures for new residential and public utility construction were the highest reported for any similar period, as were public outlays for new highways. Spending for construction of military and naval facilities was at a postwar record. The only significant declines from a year ago occurred in hospital building and in public housing. Even after adjustment for price changes, new construction activity in 1953 was at an all-time high.

New housing starts totaled 103,000 in June, down 4,000 from May but about the same as a year earlier. For the first six months of 1953 ground was broken for about 2 percent more new units than in the same period of last year. However, on a seasonally adjusted basis, new housing starts in May and June were at an annual rate 8 percent lower than in any other month since September 1952 when direct credit controls on new housing were suspended.

Business expenditures for plant and equipment, as reported to the Securities and Exchange Commission and the Department of Commerce in May, rose to a new high of 28.4 billion dollars in the second quarter. They are expected to be even higher in the third quarter, with increases for each major industry group except railroads.

Despite record sales in April and May (the last month reported), business investment in inventories totaled more than 77 billion dollars (after seasonal adjustment) at the end of May, an increase of nearly 1.8 billion dollars from the end of March. A substantial part of this accumulation was in consumer durables--automobiles, home appliances, television, etc. Production of household appliances was sharply curtailed in April and May as stocks accumulated, but output of passenger cars continued at high levels, except for some interruptions in late May and early June because of scattered work stoppages.

National security spending in the second quarter was about 2 billion dollars higher than the 51.2 billion-dollar rate in the first, the largest increase since the first quarter of last year. The defense budget for the current fiscal year is being cut. But with present commitments and large unexpended balances, it is expected that national security expenditures in coming months will level off at around current rates. Other Federal Government and State and local expenditures were about the same as in the previous quarter, but were larger than a year earlier.

OUTPUT AND EMPLOYMENT

The July crop report, portraying conditions as of July 1, indicates prospects for another year of high crop production. Total output, crops and livestock, may well equal the 1952 record, with a larger production of livestock and livestock products about offsetting a somewhat smaller crop output.

The Federal Reserve Board index of industrial production leveled off in April, May and June at 241 (1935-39=100), only slightly below the post-war record in March. Production of durable goods in June was down about 3 percent from March. Output of household durables declined somewhat further in May and was 13 percent lower than the high in February of this year. Production of television sets picked up a little in June, although factory stocks continued to grow. In general, the market for household appliances is becoming more competitive and some price adjustments have been reported. But output is still well above the relatively low levels of 1952.

Steel production in May was at rated capacity, but in June and early July declined somewhat. Most mills entered the third quarter with large carryovers of undelivered second-quarter orders, and the industry is reported to be generally booked for third quarter delivery. Operation at near-capacity appears likely in the next few months. Auto assemblies recovered in June to about earlier high levels, and production set a new record of over 3,250,000 cars in the first half of 1953, a million more than in the first half of last year when production controls were in effect. Output of passenger cars rose in early July from June levels, but for the second half of the year is expected to total less than in the first half. Truck production has already experienced a decline, and is continuing at sharply reduced rates.

Output of nondurable goods was again in record volume in May and June, with textiles, chemicals and petroleum and paper products all continuing at advanced levels. Mineral fuels production rose in May and early June as production of crude petroleum turned up and coal mining increased further from earlier reduced levels. Iron ore mining continued strong.

Manufacturers' sales and new orders (after seasonal adjustment) continued in large volume--just under record rates. With shipments exceeding new orders, the backlog of unfilled orders declined slightly, but the order backlog on durable-goods producers' books totaled more than 5 months of sales at the May seasonally adjusted rate.

Employment Rises

Employment totaled 63.2 million in early June, 200,000 more than the previous record in June 1952. Nonagricultural employment was unchanged from May, but agricultural employment showed a more than seasonal rise of about 1.5 million. Unemployment rose about seasonally to 1.6 million--2.4 percent of the civilian labor force--as the rise in employment failed to keep up with the increase in number of workers looking for jobs.

COMMODITY PRICES

Prices in general held relatively stable during the past six months at levels well below a year ago. Weakness was apparent in wholesale prices for some farm products and a few basic industrial commodities. Wholesale prices for the all other than farm and food group rose slightly, and consumers' prices were generally firm. Retail food prices declined during the spring, but rose in May and June with increases in pork, fresh fruits and vegetables, and cereal products. Charges to consumers for rent, medical and personal care, recreation, and other goods and services continued to inch up over the period.

Wholesale prices rose 1 percent from mid-June to mid-July. Prices for farm products were 2 percent and processed foods 1 percent higher, about 11 and 4 percent below a year ago. The average of prices for all other than farm and food also rose nearly 1 percent during the month, reflecting higher prices for steel products following the wage increase negotiated in the steel industry and increased prices for petroleum products.

Table 1.- Indexes of wholesale and basic commodity prices,
selected groups July 14 with comparisons

(1947-49=100)					
Group				July 14, 1953	
	July 14, 1953	June 16, 1953	July 15, 1952	percentage change from	
				June 16, 1953	July 15, 1952
<u>22 Basic Commodities</u>					
All commodities	87.9	86.4	96.9	+ 1.7	- 9.3
Foodstuffs	90.8	85.9	95.1	+ 5.7	- 4.5
Raw industrial	85.7	86.6	98.1	- 1.0	-12.6
Livestock and products	64.5	59.3	72.6	+ 8.7	-11.2
Metals	96.4	98.4	115.0	- 2.0	-16.2
Textiles and fibers	90.2	90.0	94.8	+ .2	- 4.9
Fats and oils	56.5	54.6	64.8	+ 3.5	-12.8
<u>Wholesale prices</u>					
All commodities	110.4	109.3	111.1	+ 1.0	-1.6
Farm	97.4	95.5	109.4	+ 2.0	-11.0
Food processed	104.5	103.2	109.2	+ 1.3	- 4.3
All other than farm and food	114.5	113.5	111.9	+ .9	+ 2.3

The index of prices for the 22 basic commodities was nearly 2 percent higher in mid-July than in mid-June. Prices for livestock and products averaged 9 percent and fats and oils 3 percent above a month earlier as prices for steers, hogs, lard and tallow were up substantially, but cottonseed oil was off 8 percent. Prices for metals were down 2 percent, largely because of a 12 percent drop in tin.

Prices Received by Farmers

The index of prices received by farmers averaged 259 percent of the 1910-14 average on June 15, down slightly from May 15 and 11 percent lower than a year earlier. The index of prices paid by farmers including interest, taxes and wage rates dropped four points during the month to 275 (1910-14 =100), 4 percent lower than a year earlier. The parity ratio remained at 94, the same as in mid-May, compared with 102 a year earlier.

Prices for many farm products at central markets were higher in mid-July than a month earlier. Average weekly prices for slaughter steers, all grades, slaughter cows, and barrows and gilts, all weights at Chicago were more than one-tenth higher. Prices for Delmarva broilers were up a sixth, but Midwestern egg prices were about the same in mid-July as in mid-June. Corn at Chicago, oats and barley at Minneapolis, and the 10-market average for cotton made small gains over the same period. But lower prices were reported for wheat at Kansas City, rye and flaxseed at Minneapolis, soybeans at Chicago and some truck crops.

Table 2.- Group indexes of prices received and paid by farmers June 15, 1953
with comparisons

(1910-14=100)

Group				June 15, 1953	
	June 15,	May 15,	June 15,	percentage change from	
	1953	1953	1952	May 15, 1953	June 15 1952
All farm products	259	261	292	-1	-11
All crops	251	243	277	+3	-9
Food grains	222	242	238	-8	-7
Feed grains and hay	198	205	226	-3	-12
Cotton	266	268	319	-1	-17
Tobacco	425	426	437	1/	-3
Oil-bearing crops	280	285	289	-2	-3
Fruit	253	224	220	+13	+15
Truck crops	270	182	250	+48	+8
Other vegetables	194	208	393	-7	-51
Livestock and products	267	277	306	-4	-13
Meat animals	299	317	380	-6	-21
Dairy products	254	257	277	-1	-8
Poultry and eggs	213	218	181	-2	+18
Wool	312	310	291	+1	+7
Prices paid, interest, taxes and wage rates	275	279	287	-1	-4
Family living items	270	270	272	0	-1
Production items	248	257	273	-4	-9
Parity ratio	94	94	102	0	-8

1/ Less than 0.5 percent decrease.

AGRICULTURAL EXPORTS

The volume of agricultural exports in the 1953-54 fiscal year probably will be at least as large as in 1952-53 and may be slightly higher. There has been a steady improvement in the economic position of many foreign countries during the past year. Foreign gold and dollar reserves rose from 19,388 million dollars in mid-1952 to 20,879 million by the end of March this year, an increase of about 8 percent. The gain was 40 percent in reserves of sterling area countries held in the United Kingdom.

Prospective foreign production of cotton in the 1953-54 production year is smaller than in 1952-53, and foreign consumption probably will at least equal that in 1952-53. This suggests some improvement in the foreign demand for U. S. cotton. With large production of wheat in major foreign exporting and importing countries, foreign demand for U. S. wheat may decline somewhat further in the 1953-54 marketing year. It now appears probable that exports of tobacco may be about the same or perhaps slightly larger than in 1952-53.

Stocks of U. S. tobacco in several European countries are low relative to consumption and the dollar position of some importing countries has improved materially.

Exports of tallow and grease in the January-June period this year were at a record level and are expected to continue high in coming months. Exports of food fats and oils in the last half of 1953 are likely to increase materially from the diminished volume exported in January-June 1953.

FARM INCOME

Farmers received about 12.6 billion dollars from marketings in the first half of this year, down 5 percent from the corresponding period of 1952. Prices averaged 10 percent lower than a year ago, but the volume of marketings was larger. Receipts from livestock and products of 8.2 billion dollars showed a drop of 8 percent from last year. Most of this decline was due to lower prices for cattle and calves. However, receipts from hogs, sheep and lambs, and milk were also lower. Crop receipts in the first six months totaled 4.4 billion dollars, about the same as in 1952. Receipts from cotton and vegetables were lower because of substantial declines in average prices, but larger marketings of wheat, corn, soybeans, flaxseed, and tobacco more than offset lower prices. In the case of peanuts, cash receipts were higher because both marketings and prices were up. Receipts from fruits were about the same as in 1952.

Cash receipts in June were about 2.1 billion dollars, 6 percent above May but 13 percent below June of 1952. Larger marketings more than offset lower prices as compared with May, but marketings and prices were both down from a year ago. Receipts from livestock and products were around 1.4 billion dollars, down 2 percent from May and 7 percent from June of last year. Egg marketings were down seasonally and prices remained about the same, so receipts from eggs were lower than in May. Cattle prices in June averaged nearly 40 percent below a year ago and more than offset a gain in marketings, resulting in a substantial drop in receipts from meat animals from June 1952. Crop receipts of 0.7 billion dollars were 27 percent above May but 22 percent below a year ago. Marketings of wheat and truck crops were up seasonally, and receipts for wheat and vegetables were larger than in May despite lower prices for wheat. Receipts from fruits were also larger because of higher prices. However, lower prices held receipts from wheat, corn, and potatoes substantially below last June.

LIVESTOCK AND MEAT

Prices of cattle recovered in July from their June lows. Prices of top grades will likely average higher in months ahead than during the spring. Prices of lower grades, influenced by heavy marketings, will continue seasonally low. Prices of slaughter lambs have averaged below a year earlier so far this year in line with larger supplies, but are currently close to prices a year ago. A seasonal decline is in prospect for this fall. Market prices of hogs have shown an almost continuous rise since the first of the year and in mid-July were about 5 dollars a hundred pounds above a year ago and well above prices at any time since the summer of 1948. Seasonal declines probably will begin at late summer.

Cattle slaughter in July was moderately larger than in the same weeks a year ago. Prospects are that slaughter during the remaining months of 1953 will not exceed 1952 by as wide a margin as in the first half of this year. Heavy shipments from feed lots, which began the year with inventories 16 percent above a year earlier, and drought-speeded marketings from ranges and pastures contributed to the approximately 30 percent gain in slaughter in January-June over a year earlier. Cattle slaughter in months ahead will consist of fewer fed cattle and more cattle off ranges and pastures than in the first half of this year. The number of cattle and calves on feed July 1 was only 4 to 5 percent greater than last year. Cattle slaughter for all of 1953 may be large enough to provide 73 pounds of beef per person, equal to the previous high rate of consumption set in 1909. Emergency aid to drought areas, including selling feed at reduced prices and providing additional credit, has helped to slow the rate of marketing from those areas.

Pork supplies will remain smaller than a year earlier throughout the rest of 1953 and well into next year. Hog producers cut back their 1953 spring pig crop by 10 percent and plan to have 5 percent fewer sows farrow fall pigs this year than last. The reduced slaughter will provide consumers about 6 pounds less pork per person the last half of this year than a year earlier or 10 pounds less for 1953 as a whole.

Sheep and lamb slaughter so far this year has averaged about 15 percent greater than a year ago. The margin over last year resulted from earlier marketings of spring lambs and a further reduction in the number of sheep and lambs on farms. Slaughter will probably not show as strong a seasonal increase as usual this fall and by late fall may drop below year-earlier levels.

Consumers are spending about as much money for red meats this year as last as changes in supplies of the various kinds of meats have been matched by about offsetting price changes at retail. With prospects that demand for meat will continue strong, meat animal prices are expected to make the usual seasonal adjustments this summer and fall.

DAIRY PRODUCTS

The annual rate of milk production in the United States, though considerably below early 1953 levels, still substantially exceeds the probable consumption for this year as a whole. Wholesale prices of manufactured dairy products are somewhat below a year earlier and continue at the equivalent of support levels. Purchases by U.S.D.A. under the price support programs have tapered off from the very high level of early June, but continue exceptionally heavy for this season of the year.

The annual rate of milk production during June dropped to 116 billion pounds compared with a rate of 123 billion pounds in the early months of 1953. The rate in June, though still 4 percent above a year earlier, was lower than in any month since September 1952. The rate of production per cow declined substantially more than usual from June 1 to July 1, reflecting a rather sharp deterioration in pasture conditions, but it was still a little higher than a year earlier. If total milk flow continues through the second half of the year at the June rate, output for 1953 will be about 118 billion pounds compared with 115.1 billions in 1952.

Most of the increase in milk production has continued to be used for butter, powder and American cheese, the three products bought to support prices to farmers for manufacturing milk and butterfat. Consumption of fluid milk and cream combined, continues about the same per person as a year earlier.

During the past year, dairy prices have become considerably more favorable relative to beef cattle prices but substantially less favorable relative to prices of hogs. Compared with feed, both milk and butterfat prices are a little below average.

POULTRY AND EGGS

A sharp drop in Eastern markets in early July reduced egg prices considerably below late June, but prices for high quality eggs are still well above springtime levels. Later in July prices more than recovered their earlier loss, and in the coming months are likely to rise further as supplies decrease seasonally. Even a moderate rise will keep egg prices received by farmers above corresponding 1952 levels during the next few months.

Prices received by farmers for eggs in mid-June (latest available mid-month average) averaged 45.7 cents per dozen, 10 cents above a year earlier. This was almost the same relationship to a year earlier as had existed during the peak of springtime production. Future prices for eggs, indicative of trade expectations, are also higher than a year earlier: in Chicago, the contract calling for October delivery was 52.50 cents per dozen on July 21, while the corresponding contract was settled for 40.3 cents in 1952. Although fall egg production is likely to increase over last year, the effect on futures prices is tempered by the fact that shell egg storage stocks are the lowest since reporting was begun in 1916.

Broiler marketings from commercial flocks have been at a high level for the past 3 months, and according to chick placements, will continue so for 2 or 3 more months. Meanwhile, marketings of farm chickens are increasing seasonally. Average broiler prices received by farmers declined somewhat from mid-May to 26.2 cents per pound in mid-June. Since then, prices have recovered in the principal producing areas. The mid-June broiler price was 0.6 cents per pound below a year earlier. But during the year the price paid by producers for broiler mash had declined 6 to 10 dollars per ton. This decline is equivalent to 1 to 2 cents per pound in the cost of producing live broilers.

While hatchings of turkeys through May were 16 percent below 1952, the poult output since May 1 has been about at last year's level. However, in the Shenandoah Valley of Virginia and West Virginia, an important area for the production of small turkeys, June poult output plus anticipated July output (on the basis of eggs set) is 10 percent over 1952.

FATS AND OILS

Lard prices have fluctuated considerably in the last few months and now are trending upward. Prices of edible vegetable oils have weakened in the past month or so, reflecting a hand-to-mouth buying policy on the part of buyers. Prices of the major domestic nonfood fats also have declined, with supplies more than adequate to meet all needs.

Civilians may consume about as much food fats in calendar 1953 as the 44 pounds (fat content) of a year ago. Less lard but more shortening will be taken, along with about the same quantity of butter and perhaps a little more margarine. Exports of food fats in January-May 1953 were down about 40 percent from last year, with about half of the drop in lard and the rest in vegetable oils and oilseeds. Some increase in exports over the first half is expected in the latter part of the year, mainly because of reduced supplies from other producing areas.

Supplies of food fats in the year beginning October 1, 1953 are expected to be about the same as in the present crop year, with record stocks (mostly vegetable oils) on October 1, 1953 offsetting a drop in production. Declines in output are likely in edible oils and animal fats. Production of lard is expected to be down moderately, reflecting the 8 percent decline in the 1953 pig crops. Output of butter in 1953-54 will be no larger and may be less than in the present crop year. The acreage of cotton in cultivation on July 1, 1953 was 9 percent less than a year ago while soybean acreage to be harvested was up 2 percent.

Production of flaxseed in 1953 is estimated as of July 1 at 40 million bushels, 9 million more than last year. A crop of this size would be more than sufficient to meet all requirements for linseed oil. In addition, beginning stocks of linseed oil and flaxseed are equal to more than a years requirements.

Although hog slaughter will decline in 1953-54, slaughter of cattle will continue high.

CORN AND OTHER FEEDS

Prices of feed grains and many of the byproduct feeds declined during May and June. The index of prices received for feed grains in mid-June averaged 14 percent below a year earlier and prices of most of the byproduct feeds also are substantially lower. In recent months prices of tankage and meat scraps have been unusually low in relation to prices of most other feeds. Favorable prospects for 1953 for most feed crops, reduced hog numbers, and lower prices of cattle and dairy products have all contributed to the decline in feed prices. If the 1953 corn crop is as large as indicated in July, corn prices probably will again be considerably below the national average price support at harvest time.

A near-record supply of feed grains and other concentrates is in prospect for 1953-54. This results from favorable weather for most feed crops especially corn through early July and large stocks of corn on hand from previous years. The supply is estimated on the basis of July conditions at 177 million tons, 6 percent larger than last year, and within 1 percent of the record of 1950-51.

Total production of the four feed grains was estimated on July 1 to be about 123 million tons, slightly larger than a year ago. The carry-over is expected to be at least a third larger than the 20 million tons carried over in 1952-53. The corn crop was estimated in July at 3,337 million bushels and a carry-over of around 800 million bushels is in prospect for next October 1. If these prospects materialize, the corn

supply would exceed 4.1 billion bushels, slightly larger than the previous record of 1949-50, and 17 percent above the 1946-50 average. Supplies of oats and barley for 1953-54, on the basis of July indications, would not be greatly different from those of 1952-53, although the barley supply will be somewhat below average.

The hay supply for 1953-54 is estimated at about 120 million tons, slightly larger than last year. In relation to the prospective number of roughage-consuming animal units to be fed, the supply is about as large as in 1952-53 and about 5 percent below the 1946-50 average.

WHEAT

A 1953-54 wheat supply of about 1,760 million bushels, 10 percent above the previous record in 1942-43 and 12 percent above 1952-53, is in prospect on the basis of July 1 conditions. The supply consists of a carry-over July 1, 1953 in the neighborhood of 580 million bushels (official estimate will be available on July 24), a crop forecast at 1,175 million bushels as of July 1, and probable imports of about 5 million bushels.

Domestic disappearance in 1953-54 is expected to total about 700 million bushels. This would leave over 1 billion bushels for export and carry-over. Even if exports next year reach the 315 million bushels estimated for 1952-53, a record quantity of about 745 million would be left for carry-over on July 1, 1954, about 15 to 20 percent above the previous record held on July 1, 1942.

Wheat prices usually reach a low point for the season sometime in the June-August period. The low points reached so far this year at the various markets were as follows: On June 29 at Kansas City, No. 2 Hard Winter Wheat was \$1.95; on July 13 at St. Louis No. 2 Soft Red was \$1.82, and on July 1 at Minneapolis No. 1 Dark Northern Spring was \$2.13½. These prices were well below loan levels, reflecting record supplies and concern over storage facilities. In recent weeks prices have advanced and are currently 10 cents or more above the low points.

On July 15, the Secretary of Agriculture announced a national acreage allotment of 62 million acres for the 1954 wheat crop, and set August 14 as the date for a referendum among wheat growers on the question of whether to use quotas in marketing the 1954 wheat crop.

Wheat quotas, which operate through acreage allotments, were proclaimed by the Secretary on July 1, as directed by law. They will not become effective, however, unless at least two-thirds of the growers voting approve their use. Growers with more than 15 acres planted to wheat, and with normal production of 200 bushels or more, are subject to the quotas and are therefore eligible to vote in the referendum.

A new minimum national allotment figure, and authorization to hold the referendum as late as mid-August, are provided in amendments to marketing quota legislation which were signed by President Eisenhower on July 14.

Under these new provisions, the national allotment for 1954 may not be less than 62 million acres. Since the indicated 1953-54 wheat supply stands at an all-time high, the minimum acreage--62 million--is called for. The acreage seeded for the 1953 crop totaled 78.6 million acres.

If two-thirds of the growers voting in the referendum approve marketing quotas, price supports on the 1954 wheat crop will be available to all cooperators at 90 percent of parity. If growers do not approve quotas, price supports will drop to 50 percent of parity, but only to farmers who plant within their acreage allotments.

Under a marketing quota program, growers who plant within their wheat acreage allotments may market without penalty all of the wheat grown on their allotted acres. Non-cooperators will be subject to a penalty of 45 percent of the wheat parity price as of May 1, 1954 on their farm marketing excess. (The parity price on May 15, 1953 was \$2.43) The penalty can be avoided or postponed by withholding excess wheat from the market. This may be done by storing it or by delivering it to the Secretary of Agriculture for relief use or diversion, under regulations established by the Secretary.

Whether or not marketing quotas are approved for the 1954 crop, prices for the 1953 crop will be supported by loans and purchase agreements at a national average to farmers of \$2.21 per bushel. The equivalent at Kansas City is \$2.49 for No. 2 Hard Winter and \$2.52 for No. 1 Dark Northern Spring at Minneapolis.

FRUIT

Prices that growers will receive for most fruits in August probably will average about the same as in August 1952. Among individual fruits, prices for pears and sour cherries are expected to average higher than the relatively low 1952 prices, partly because of anticipated strong demand for processing. But prices for apples and canning peaches may be lower. Prices for fresh market peaches may be about the same as in August 1952.

With a sharp reduction in California grape production, the 1953 deciduous crop is expected to be slightly smaller than the 1952 crop and about 5 percent below average. Production of sweet cherries, pears, and strawberries also is estimated to be smaller than in 1952. But that of apples, apricots, sour cherries, peaches, and plums is expected to be larger. Prospective production of almonds is larger than in 1952, but that of filberts and walnuts is smaller.

With carry-over stocks of canned and frozen fruits considerably smaller than a year ago, some increase over the 1952 packs seems likely. Larger packs seem probable for canned peaches, apricots, and sour cherries. Some increase in pack of fruit cocktail also may occur. Among frozen fruits, the pack of sour cherries probably will be larger than in 1952, but that of strawberries smaller.

Output of frozen orange concentrate in Florida in 1952-53, where the season for processing is over, was about 6 percent larger than in 1951-52. But with increased movement into consumption channels, stocks held by packers are considerably smaller than a year ago. Stocks of canned single-strength juices also are smaller than a year ago. Retail prices for both frozen and canned citrus juices are expected to continue higher than in the summer of 1952. Supplies of fresh California Valencia oranges are larger than last summer but size of individual oranges tends to be smaller.

COMMERCIAL VEGETABLES

For Fresh Market

Although total supplies of fresh vegetables commercially grown for the summer fresh market are still estimated to be slightly larger than those of a year earlier, unfavorable weather in late spring delayed progress and reduced yields below former expectations. Supplies reaching terminal markets were relatively light in early June, and the index of prices received by farmers for truck crops jumped from a relatively lower figure of 182 in May to a record high June figure of 270.

In early July a sharp decline in prices for some truck crops occurred as the delayed crops began moving to market in considerable volume. A further price decline is expected unless supplies are reduced by unfavorable weather. Production this summer is expected to total 4 percent above a year ago, and prices to farmers may average lower than for the summer of 1952.

For Processing

Commercial canners substantially reduced acreage of tomatoes this year to compensate for heavy stocks of canned tomatoes, tomato juice and other products. If the unfavorable weather of May and June continues, the resulting crop may be smaller than processors would like. Prospects are still good, however, for adequate supplies of other major crops for canning and freezing.

POTATOES AND SWEETPOTATOES

Prices received by farmers for 1953 crop potatoes probably will average lower than those received for the 1952 crop. July 1 conditions indicated a probable total crop of 376.8 million bushels compared to 347.5 million last year.

The Intermediate crop is of moderate size, 4 million bushels larger than last year's abnormally short crop, and more in line with demand than the Early crop. However, marketings from the Early States are delayed and incomplete. Only about 13 million more bushels of Late crop potatoes are in prospect than were grown last year.

The 1953 sweetpotato crop is expected to be larger than the 1952 crop by not quite 4 1/2 million bushels, or 16 percent. Prices probably will average moderately lower than the relatively high prices received for the small 1952 crop.

DRY BEANS AND PEAS

The 1953 planted acreages of dry edible beans and dry field peas are estimated to be substantially larger (10-15 percent) than the below-average acreages planted in 1952. If growing and harvesting weather are normal, the dry pea crop from the indicated acreage will provide fully adequate supplies to meet anticipated demand. However, the prospective bean crop is only slightly larger than last year, and carryover stocks are much smaller than a year earlier, so that total bean supplies of the 1953 crop marketing year are substantially smaller. Total disappearance of dry beans in this crop marketing year is expected to be larger than the total crop. This can be accomplished only by further reduction of our fast dwindling stocks of dry beans. Prices for 1953 crop dry beans are expected to average at least as high as those for the 1952 crop, but prices for peas probably will be substantially lower. Prices received by farmers for dry beans and peas as of mid-June this year were much higher than those received a year earlier.

COTTON

Farmers had 24.6 million acres of cotton in cultivation on July 1, 2.3 million less than a year earlier. If abandonment from natural causes is the same as the average for the past 10 years and if the yield per harvested acre is equal to recent averages, another large crop would be produced. However, the acreage in cultivation includes about 1 1/2 million acres of land on which cotton had been planted but was not up. Furthermore, continuation of the drought in the Southwest and increases in weevil infestation in the Eastern Cotton Belt States, also could cause larger than average abandonment. The first official cotton production estimate of the Crop Reporting Board will be released August 10.

The Western States of California, Arizona, and New Mexico accounted for 9.8 percent of the total U. S. 1953 acreage, highest proportion on record. Last year these States had 8.9 percent. The rise in the acreage in the West continues a trend which has existed for many years.

Disappearance of cotton in the United States during the 1953-54 marketing year is tentatively estimated at about 12.2 to 13.5 million bales, compared with 12.7 million bales estimated for 1952-53. Exports of cotton from the United States in 1953-54 are estimated at 3 to 4 million bales, depending mainly on production of competitive foreign growths and the amount of cotton consumed abroad. It now appears that total exports of U. S. cotton in 1952-53 will run close to 3.2 million bales, while the August 1 stocks of all cotton on hand will be about 5.2 million.

Production of cotton in foreign non-communist countries is expected to be 500 thousand to 1 million bales below the 1952-53 crop according to preliminary estimates. Consumption in these countries seems likely to be around the 1952-53 level or possibly a little higher.

Some exporting countries have relatively large stocks, part of which will probably be disposed of during the 1953-54 season. Therefore, the carryover in foreign non-communist countries on August 1, 1954 is expected to be about 1 million bales smaller than on August 1, 1953.

Funds from the Mutual Security Administration used for the purchase of U. S. cotton may be smaller in 1953-54 than they were in 1952-53. MSA has authorized 125.7 million dollars from 1952-53 funds for cotton purchases in the 1953-54 crop year, compared with 168.6 million dollars used in 1952-53.

Domestic mill consumption of cotton in the 1953-54 season will come close to the estimated 1952-53 consumption of 9.5 million bales. According to trade reports, domestic cotton mills have booked very large orders for delivery in the last 2 quarters of 1953 and substantial orders have been received for delivery in the first quarter of 1954. In addition, stocks of gray goods held by the mills are at a low level. However, many orders for delivery in the first quarter of 1954 are yet to be received by the mills.

WOOL

Prices of wool in foreign markets, after declining somewhat early in June, remained fairly stable until the close of the season in Australia early in July. Quotations for most imported wools at Boston at mid-July were about the same as a month earlier. However, Boston quotations for some domestic fine and half-blood wools at mid-July were slightly lower than a month earlier.

Prices received by domestic growers for shorn wool at mid-June averaged 55.6 cents, compared with 55.1 cents the month before and 53.1 cents at mid-June 1952.

The rate of consumption of both apparel and carpet wool by domestic mills during the early months of this year was substantially above a year earlier. Consumption of apparel wool by mills in the United States through April was about one-fifth above last year. Mill use of carpet wool, all of which is imported, was up about one-fourth.

Imports of dutiable (apparel) wool for consumption through April, however, were down about 3 percent from a year earlier. Imports of duty-free (carpet) wool were up over three-fifths from 1952.

TOBACCO

Total 1953-54 supplies of flue-cured, Burley and Maryland tobacco, most of which is used in cigarettes, are likely to be larger than in 1952-53. The present high level of cigarette consumption is expected to continue in the year ahead.

Georgia and Florida auction markets for the 1953 crop of flue-cured tobacco began July 16. Prices for the first 4 days of sales averaged 51.7 cents per pound, slightly higher than in the comparable period of last year. Last season, prices in the Georgia-Florida markets, averaged a record 49.4 cents per pound. Opening dates for auctions in other belts range from early August to mid-September.

The July indication was for a total flue-cured crop of 1,320 million pounds--more than 3 percent lower than last year but the fourth largest on record. Carryover of flue-cured on July 1 is estimated at about 7 percent larger than a year ago and total supply for 1953-54 is expected to be about 2 percent above that for 1952-53. Domestic demand is likely to be fairly strong this season. Export prospects appear to be about the same with some possibility of a small increase. The price support level for 1953 flue-cured, at 47.9 cents per pound, is 5 percent lower than in the 1952 season.

Auctioning of last year's Maryland crop is still in progress and the average price for sales through mid-July was about 50.8 cents per pound--17 percent more than in the comparable period of a year earlier. The indicated size of the 1953 crop as of July 1 was 38.8 million pounds--2 percent less than last year.

The 1953 crop of Burley, indicated at 570 million pounds as of July 1 is 12 percent less than last year's record crop. Carryover on October 1 will be above that of a year earlier so that total supply for 1953-54 is likely to be somewhat above that for the current year.

According to July indications, the 1953 fire-cured crop will be slightly less than a year ago while the dark air-cured crop will be 5 percent smaller. The main domestic outlets are snuff for the former and chewing tobacco for the latter. Consumption of both in 1952-53 was a little lower than last year.

The July 1 indications for cigar tobacco production were for increases above last year's harvesting in Pennsylvania filler, Connecticut Valley Havana Seed, and Northern Wisconsin but decreases in all other cigar types. Cigar consumption in the 1952-53 fiscal year was near 6 billion--a 3 percent increase over 1951-52.

Total unmanufactured tobacco exports in the 10 months ending April 30 were 379 million pounds (declared weight)--18 percent less than in the same period of 1951-52. Flue-cured, One Sucker, Green River, and Black Fat were less and Burley, Maryland, Virginia fire-cured, and cigar leaf were larger than in the comparable period of a year ago.

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